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ABSTRACT

This document explores Nebraska's current public policies and practices that impact the funding of postsecondary education. These policies and practices have developed over time in response to the needs of the state. Many of the policies are statute and have not been formally adopted, but are reflective of legislative practice, past patterns appropriations, governing board practice, or past decisions within Nebraska. Among the 27 explicit or defacto policies in effect are the following: (1) the state of Nebraska invests significantly in postsecondary education, with nearly one-fourth of Nebraska's general fund appropriation going to the public postsecondary system; (2) tuition and fees at public four-year institutions are comparatively low, while fees at the two-year institutions are about average; (3) state-funded financial aid for needy students is modest, about $4.5 million for need-based grants in 1998-99; (4) the state seeks to maintain a high level of access, with Nebraska ranking third nationally in the proportion of high school graduates going on to postsecondary education; (5) property taxes are the largest source of revenue for most community colleges; (6) public institutions are encouraged to supplement state funding with other revenue sources; (7) the state provides comparatively strong support to the university for research; and (8) the state's appropriation process does not use performance-based indicators. (TGO)

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What Are Nebraska's Public Policies on Funding Postsecondary Education?

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Coordinating Commission for Postsecondary Education
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The members of the Commission thank the many people who helped identify and describe the policies within this publication. Those involved in this process included representatives of the public postsecondary education institutions, several state senators, members of the legislative and gubernatorial staff, and others interested in postsecondary education financing issues.

COMMISSIONERS

Eric Seacrest, Chair
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Barbara K. Marcy
Dr. Keith W. Vrbicky
Frances C. White

Dr. David R. Powers,
Executive Director

Coordinating Commission for Postsecondary Education
140 N. 8th Street, P.O. Box 95005, Lincoln, NE 68509-5005
Phone: (402) 471-2847 FAX: (402) 471-2886

INTRODUCTION

What policies and practices are in place today that guide how Nebraska finances higher education in this state?

Nebraskans believe in and support higher education. For a state with a relatively small population base, Nebraska provides a high level of financial support for its public postsecondary education institutions. As a result of this high level of support, the state enjoys the benefits of a comprehensive and accessible public postsecondary education system comprised of the University of Nebraska system, the State College system, and the Community College system.

In its Comprehensive Statewide Plan for Postsecondary Education, the Commission sets forth a plan that focuses on the needs of students and sets goals to help the public postsecondary institutions respond to the changing educational needs within our state. However, without appropriate financial policies and adequate levels of financial support for higher education, achievement of these goals may be threatened.

This pamphlet identifies existing policies and practices known to the Commission that have an impact on how postsecondary education is financed in Nebraska. Together, the policies present a current profile of many of the funding practices in the state. These policies and practices have evolved over the years and will continue to do so in the future. Many of the policies are not in statute and may not have been formally adopted, but are reflected in Legislative practice, past patterns of appropriations, governing board practice, or past decisions within our state. Others are explicit and in statute.

This publication was developed for use by government officials, educational leaders, the news media and all others interested in the welfare of higher education in Nebraska. It is the Commission's hope that this publication will create awareness of how decisions that are made, policies that are established, and practices that are encouraged all combine to form a pattern for how higher education is financed in Nebraska.

CURRENT EXPLICIT OR DEFACTO POLICIES

1. The State of Nebraska invests significantly in postsecondary education.

Almost one-fourth of the State's general fund appropriation goes to the public postsecondary education institutions. In 1997-98, the State's appropriation of approximately $416 million for public postsecondary education ranked Nebraska third nationally in the proportion of the state's overall budget appropriated for postsecondary education. (See policies 5 and 6 for additional appropriation information.) In that same time period, Nebraska ranked 10th in the level of funding per capita for postsecondary education, but only 32nd in the level of appropriation per FTE student. The difference is primarily due to Nebraska's very positive tradition of having a high participation rate in postsecondary education.

2. Tuition and mandatory fee levels at public four-year institutions are comparatively low. At public two-year institutions, tuition and mandatory fee levels are about average.

In 1996-97, Nebraska ranked 33rd nationally in tuition and mandatory fee levels at four-year public institutions, with most Nebraska institutions near or below their peer average in resident undergraduate tuition and fee levels. Out-of-state undergraduate tuition and fee rates were also comparatively low. In addition, graduate level in-state and out-of-state tuition and fee rates were low. The two-year Community Colleges ranked 33rd nationally in tuition and mandatory fee levels, but their average annual tuition and fee rates ($1,224) were very close to the national two-year average ($1,283).

Nebraska postsecondary education students pay for varying shares of the institutions' educational costs through tuition, depending on which institution they attend. In 1997-98, the percentage of educational costs that students at Community Colleges paid ranged from 15% to 26%, with a weighted average of 23.4%. At the State Colleges, the students payment share ranged from 31.4 to 38.6%, with a weighted average of 36.1%. In the University of Nebraska system, the percentage was

29.5% to 37.1%, with a weighted average of 31.9% (this did not include the Nebraska College of Technical Agriculture and the University of Nebraska Medical Center).

Tuition and fees at public postsecondary education institutions are determined by each institution or sector governing board. The tuition rates are largely not differentiated by field or program.

3. State-funded financial aid for needy students is modest.

The State appropriated about $4.5 million for need-based financial aid grants in 1998-99. In 1996-97, this appropriation ranked Nebraska 42nd nationally in the percent of state tax funds for the state need-based grant program. The grants are distributed through three state-sponsored financial aid programs: the Scholarship Assistance Program (SAP) and the State Scholarship Award Program (SSAP), which together provide approximately $2.5 million for financially needy students enrolled at public or private institutions; and the Postsecondary Education Award Program (PEAP), which provides approximately $2 million for financially needy students enrolled at Independent Colleges and Universities.

In 1998-99, 62% of the State's SSAP/SAP funds are going to students at public institutions; 28% are going to students enrolled at Independent Colleges and Universities; and 10% for students at private career schools. Of the State's SSAP/SAP funds going to students at public institutions, 49% will go to University of Nebraska students, 15% will go to State College students, and 36% to Community College students.

In addition, the State provided over $20 million for tuition remissions, both undergraduate and graduate, at the four-year public institutions in 1997-98. Remissions are primarily awarded based on merit, talent, and other criteria identified by the institution. Of the undergraduate remissions, approximately 18% were targeted for financially needy students. State financial aid is not provided to Nebraska students attending out-of-state institutions. (There are some exceptions for specific contractual agreements with programs in other states. See policy #18.)

4. The State seeks to maintain a high level of access

The State and the governing boards encourage a high level of access to postsecondary education through policies such as uncapped enrollments, comparatively low tuition rates, and open-door admissions at State Colleges and Community Colleges. The University of Nebraska set new higher admission standards that became effective in 1997. In addition, the State provides access to postsecondary education in nearly all regions of the state through 21 public college and university campuses located in cities and towns throughout the state, as well as through off-campus courses for place-bound students in many other communities.

The high level of access to postsecondary education in Nebraska is further confirmed by the significant and relatively stable number of high school graduates who enroll in postsecondary education. In 1996, Nebraska ranked 6th in proportion of high school graduates going on to some level of postsecondary education. Of those students, approximately 84% attended institutions in Nebraska.

Future enrollment growth in postsecondary education will most likely be modest. For the past several years there has been a graduaal increase in the number of high school graduates. This growth peaked in 1998-99. It is projected that the number of graduates will now begin to drop back to the level of the early 1990's, and then continue to slowly decrease. In addition, adult participation in postsecondary education may decline as the 25-45 age cohort grows smaller. Changing demographics, employment and immigration patterns, and the increasing need for life-long learning, however, will all have an effect on enrollment trends.

5. Funding levels for State Colleges and University appropriations are based on reviews of base budgets and proposals for change, not formulae.

State appropriations for the State Colleges and the University of Nebraska are based on review of base budgets and incremental funding (base, less one-time adjustments plus legislatively approved additions), not formulae.

In 1998-99, the University of Nebraska's State appropriation of $355.9 million was distributed as follows: (dollars are approximate)

UN-Lincoln - $173,221,000
UN at Omaha - $48,471,000
UN Medical Center - $79,940,000
UN at Kearney - $26,341,000
Nebr. College of Tech. Agriculture - $1,860,000
Central Administration - $26,110,000 (includes NRI research money)

The State College's 1998-99 appropriation of $29.9 million was distributed as follows: (dollars are approximate)

Chadron State College - $10,878,000
Peru State College - $5,814,000
Wayne State College - $12,588,000
State College Board Office - $667,000

Typically, institutions will request additional state appropriations to increase salaries, add major new programs, and/or reflect enrollment growth. The State's policy for responding to projected major reductions in federal funding is to treat each restoration as a new program request which is considered in the appropriation process. While the Legislature sometimes includes intent language on the use of the funds appropriated to the University or State Colleges, how the money is spent by the institution is largely at the discretion of each sector's governing board.

Personnel salaries and benefits, which account for approximately 72% of the State College's general cash fund budget and 80% of the University's state-aid budget, are approved by the sector governing boards. Collective bargaining units at UNO, UNK, and the State Colleges negotiate salaries and benefits.

The Coordinating Commission reviews the institutions' budget requests and makes recommendations on them to the Governor and Legislature. The Governor and Legislature may choose to support, modify or deny funding for the requests. Denied requests may be funded through reallocation within each sector.

6. Formula funding is used to distribute the State's appropriation for Nebraska Community Colleges.

The State provides a lump sum appropriation that is divided among the Community Colleges based on a statutory formula. [§ 85-1536 and 85-1503] A portion of these funds will be distributed based on a statutory formula that considers enrollment and is also weighted to differentiate the costs of applied technology programs and academic transfer programs. The remaining state aid will be distributed to those Community Colleges that cannot raise 40% of their operating revenue from property taxes or do not receive 40% of their operating revenue from state aid. The goal is to bring funding more in line with the historic level of 40% property taxes, 40% state aid and 20% from tuition and other sources. This goal will be close to reality in FY2000-2001 on a statewide basis, but may vary some in each Community College area.

In 1998-99, the State's formula appropriation to the Community Colleges was $47.6 million, which was divided among the six Community College areas as follows (dollars are approximate):

Central Community College - $7,065,000
Northeast Community College - $5,530,000
Metropolitan Community College - $12,481,000
Southeast Community College - $12,542,000
Mid-Plains Community College - $4,968,000
Western Nebraska Community College - $5,025,000

Some additional state money is appropriated to the colleges through the Community College Aid Cash Fund (program 99) [§ 85-1540] to support specific programs or projects. These funds are distributed by a committee that reviews grant proposals form the colleges. The amount of money appropriated for this program in 1998-999 was $3,047,500. Of this, $2.5 million was appropriated for the construction of the Center for Excellence in Electronics at the Southeast Community College Area in a partnership with the City of Lincoln and private business and industry.

Collective bargaining units at each of the six areas negotiate faculty salaries and benefits.

7. Property taxes are used to fund a share of the Community Colleges' operational and capital budgets

Property tax is currently the largest source of revenue for most Community Colleges (35 - 50% of total budgets). With the legislative passage in 1997 of LB269, an attempt was made to return to the historical mix of funding for Community Colleges with the State providing 40%, property taxes 40%, and tuition and other sources 20%. The Community Colleges are currently limited to a 7 cent levy for operational expenses, [§ 85-1517] a reduction from the previous 9 cent levy that could be exceeded by 2.5 cents with a 75% vote of the local board. On July 1, 2000, the levy limit will drop to 6 cents for operational expenses and 1 cent for capital construction budgets. In addition, the Community Colleges may set a separate levy to fund ADA and Hazardous Waste projects. The *Nebraska Constitution* does not allow property tax dollars to be used for state purposes, including the University and State Colleges.

At the same time property levies are being reduced, the State will inject additional state aid dollars into the Community Colleges. For FY1998-99, the State appropriated a total of $47,611,822 for the Community Colleges.

8. Public institutions are encouraged to supplement state funding with other revenue sources.

The State does not normally reduce state appropriations when an institution finds new alternative funds, such as from external grants or private sources. However, the State does project expected tuition revenues as part of the appropriation process. Requests to fund programs after external funds for the program expire are treated as new program requests. The State provides some matching funds for external grants through programs such as the Nebraska Research Initiative and the Experimental Program to Stimulate Competitive Research (EPSCoR). The State also allows the institutions substantial discretion in the use of funds received as indirect cost reimbursement (overhead) from federal grants.

9. All auxiliary services and some student services are generally expected to be self-supporting.

The combined auxiliary services at any given institution are generally expected to be self-supporting and not use tax support for operations or facilities, except under some circumstances which are determined on a case-by-case basis. Auxiliary services include child care centers, athletic concessions, alumni operations, catering, etc. Some overhead costs related to auxiliary services, such as administrative costs associated with personnel, are paid back to the institution by the auxiliary service. In addition, auxiliary services are typically responsible for paying for the facilities in which they are housed.

Some student auxiliary services such as residence halls, bookstores, student unions, food services, and parking are also expected to be self-supporting. These services are supported by student fees.

10. Use of telecommunications and other instructional technologies for educational purposes is encouraged by the State.

The State provides substantial appropriations to postsecondary education for telecommunication equipment. Most of the funding is appropriated to the Nebraska Educational Telecommunications Commission, which purchases equipment used to deliver educational courses via telecommunications. The Legislature appropriates funds to institutions for use in equipping classrooms for new instructional technologies and for replacing computers. The State's financial support in this area should be intended to increase access, promote sharing of instructional courses, foster work force and economic development, and encourage growth of the telecommunications industry.

The new Nebraska Infomration Technology Commission (NITC) reviews and advises the Governor and Legislature on all funding requests related to State appropriations for information technology hardware and development. The Educaitonal Council of the NITC should through its recommendations strive to increase access, promote sharing of courses and equipment, encourage training of faculty and teachers in the use of technology, and help employers get access to courses that update their employers' skills.

Nebraska has joined with 18 other states to establish the Western Governor's University. This Governor's Open University system uses telecommunications and other distance learning technology to share educational courses among several states and also has global affiliates.

The Community College Aid Cash Fund (Program 99) provides additional, but limited, financial support for telecommunications. [§ 85-1540] Lottery funds devoted to K-12 instructional technology are not for postsecondary education, except through K-12 linkages to some Community Colleges. The Nebraska Educational Television Council for Higher Education (NETCHE) coordinates and facilitates faculty training and effective use of telecommunication equipment. Currently, there are no State funds earmarked specifically for telecourse production.

11. The State supports a number of public service and extension outreach functions.

Sources of funding for public service programs are varied. The State appropriates funds to the University of Nebraska for support of agriculture cooperative extension service as well as for some medical education provided through the University of Nebraska Medical Center, including the Rural Health Opportunities Program (RHOP) and the Rural Health Education Network (RHEN), which provide rural health care services. [§71-5653 et seq.]The UNMC hospital is a major public service undertaking which the State encourages to be self-supporting.

Funding for cooperative extension is provided by federal, state, and county funds and may change given the new property tax laws. Most decisions about the range and scope of public service activities are made at the campus level. The State encourages self-support for non-credit community service courses.

12. The State provides comparatively strong support to the University for research.

Nebraska is a national leader in state appropriations per capita for research. Most of the State's research funding is targeted toward economic impact in specific fields and some is provided to build the University's infrastructure and capability for research. The University of

Nebraska - Lincoln is designated as a Research II Institution, based on its federal funding. Research in agriculture, through the Institute of Agriculture and Natural Resources (IANR), and medicine, through the University of Nebraska Medical Center, are two of the primary areas receiving state and federal funding. Institutions are permitted to retain federal funds paid for overhead from grants and use them for operating expenses and additional research. Additionally, institutions with research components provide financial support for research through reduced faculty teaching loads which allow time for faculty research activities. The University currently attracts limited private sector funding for research.

13. The State supports institutional initiatives to enhance economic development and strengthen work force development.

The State expects postsecondary education institutions in Nebraska to play a major role in economic and work force development. Technology transfer and applied research is a central motive for the State's support of research. The State has specifically funded initiatives such as the Food Processing Center, the Nebraska Research Initiative, EPSCoR, and Engineering Outreach. In addition, the state provides some of the funding for Nebraska Business Development Centers located on the campuses of each of the State Colleges as well as at UNO and UNK.

The Community Colleges are encouraged to offer applied technology training programs to meet the work force needs of Nebraska's employers through the state's Community College funding formula, which gives more weighting to applied technology programs than to academic programs to reflect the community college's primary role and mission in vocational/occupational education. The State recently supported a University initiative to expand engineering and information technology education in Omaha. The State also has provided matching funds for the School-to-Careers federal grants. The State's Quality Jobs Act [§ 77-4901 et seq.] provides tax breaks for employers to provide training for employees. Little, if any, of this funding goes to the institutions. It primarily pays the employer for the cost of in-house training.

14. The State's appropriation process does not use performance-based indicators.

Appropriations to postsecondary education in Nebraska are not based on performance indicators such as graduation and placement rates, student test scores, etc. The Nebraska Department of Administrative Services Budget Office recently initiated the use of some limited outcome indicators for funding of all state agencies, including the public postsecondary education institutions, however, funding is not based on the outcomes. Linking higher education funding to institutional performance has been a growing trend in some other states.

15. The State provides few direct funding incentives to meet specified state goals.

While the State provides few direct funding incentives, there are some such initiatives in place. The Coordinating Commission program review process, by statute, is to ensure that governing boards promote quality and effectiveness. Other direct funding incentives include state or federally-funded programs, such as the Nebraska Industrial Competitiveness Alliance (NICA) and the National Science Foundation's (NSF) Mathematics and Sciences Systemic Initiative, which contribute toward quality improvement; the Community College Aid Cash Fund (Program 99), which provides modest funds for faculty development and equipment [§85-1540]; and the State's research initiative fund, which contributes to building a quality research infrastructure; and state support for faculty development at the University of Nebraska. In addition, some public tuition remissions are granted based on academic ability to encourage top students to attend Nebraska institutions.

There are also a few examples for funding targeted at specific state goals. For example, the Community College aid formula encourages applied technology programs. In addition, some funds are earmarked for special programs. The Coordinating Commission's criteria for review of operating budget requests also identifies some areas of emphasis which will receive Commission support in recommendations to the Governor and Legislature.

16. There are few incentives for resource sharing within education.

There are few direct incentives for postsecondary education to collaborate with K-12 or with other postsecondary education institutions in the state. High school courses are usually not articulated through mastery of specific course content for admission to Nebraska colleges. Articulation between high school course content and college course content to avoid duplication of effort is not directly rewarded. Feedback from colleges to high schools concerning how their graduates perform in college is left to campus discretion. Remediation programs must be funded from institutional budgets. Sharing of faculty and courses among postsecondary education institutions or between postsecondary education and K-12 is not common in Nebraska, nor in most other states. Teacher certification policies do not provide for easy sharing of faculty with K-12 (except by telecommunications). Nebraska's state support for telecommunications does encourage sharing of equipment.

17. Substantial flexibility is left to public governing boards.

There are several examples of the flexibility allowed governing boards in the financing issues of their institutions. The State's policy of lump sum appropriations allows governing boards to manage their budgets with a great amount of flexibility. "Earmarking" of state funds is kept to a minimum although intent language is sometimes used within appropriation bills to provide guidance in the usage of some funds. Governing boards allocate funds among institutions and have discretion in how they accommodate budget reductions due to state revenue shortfalls. Faculty teaching loads, which have a significant impact on institutional budgets, are the responsibility of the institutions. Faculty teaching loads at the State Colleges and University of Nebraska are also reported to and reviewed by the Legislature.

In addition, institutions or sectors may keep all tuition revenue, [§ 85-125], but tuition revenue levels are reviewed and utilized in determining levels of State General Fund support. The State also allows them to carry-over tuition revenue, but examines unspent balances before next biennial appropriation. The State does not budget contingency funds and governing boards determine whether any reserve is provided for their institutions. Collective bargaining agreements and tenure may limit the ability of an institution to reduce personnel expenditures in the current or coming year.

18. The State encourages the use of agreements with private and public postsecondary institutions in other states.

The Board of Regents, by statute, negotiates contracts with accredited schools of optometry in other states to provide for the admission of qualified Nebraska students. [§ 71-1336.06] A similar program exists to provide access for Nebraska resident students to veterinary medicine programs in other states. [§ 85-18013] The Legislature authorized Nebraska to participate in the Midwest Higher Education Commission's Student Exchange Program, which allows students to enroll in selected programs for 150% of resident tuition rates in MHEC states. [§ 85-1301]MHEC also provides savings through opportunities for regional collective purchasing agreements such as insurance and telecommunications.

19. The State and public postsecondary institutions generally have not contracted for services with Nebraska private colleges.

While there is no written policy prohibiting contracts between the State and private colleges or between public postsecondary education institutions and private colleges, there are very few instances of such contracts. Some examples of such contracts include a community college utilizing available dorm space at a neighboring private college, agreements between UNMC and Creighton University for sharing of medical services and facilities, and contracts between NEB*SAT and some private institutions for equipment and services. The primary financial involvement of the state with private institutions is through state aid grants to financially needy students who choose to attend private institutions in Nebraska.

20. A Constitutional amendment created a Coordinating Commission for Postsecondary Education to encourage the efficient use of resources.

The Coordinating Commission criteria for program review and approval, capital construction project review and approval, and review and recommendations of budgets, as well as the Comprehensive Statewide Plan, emphasize efficiency and effectiveness. [§§85-1414; 85-1515; 85-1416] The Commission's use of comparisons with peer institutions helps evaluate relative efficiency.

21. Acquisition of equipment is limited by annual institutional budget allocations and procurement policies.

Funding limitations of institutional budgets are such that equipment often is not replaced at a rate to avoid obsolescence. Institutions are provided a lump sum appropriation which is allocated to institutional priorities by the sectors and institutions. The Department of Administrative Services has a master equipment leasing program for acquisition of major equipment in which the State Colleges may participate. The University of Nebraska has a lease-purchase financing program for equipment. Since procurement rules reward responsible low bids, often short-term solutions are indirectly encouraged. The University of Nebraska does not follow DAS procurement rules because they have their own established rules.

There are few provisions for joint technological development strategies in partnership with private sector vendors which can lead to use of newest technology with long-term impact. The State has provided some funding to institutions and NEB-SAT to support the acquisition of instructional technology and distance learning equipment at various campuses. Funding of capital construction and remodeling projects can include computer wiring, redesign of networks in buildings, and some original equipment.

22. The State, through the Coordinating Commission, requires facilities planning, criteria for approval of construction projects, and prioritization of projects.

The Commission's Comprehensive Statewide Plan for Postsecondary Education includes a Statewide Facilities Plan that establishes broad guidelines for facilities planning at postsecondary education institutions in the state, and identifies Commission criteria for review, approval and prioritization of construction policies. Statutes require institutions to provide facilities inventory and utilization data. [§§ 85-1414a; 85-1423] Although data are presently incomplete and obsolete, the institutions are working with the Commission to establish a facilities database that will provide more current facilities data and better utilization information. Facilities database development and long-range facilities planning have historically received limited institutional support.

23. Funding for new capital construction is limited and final approval follows a disciplined process.

No dedicated stream of revenue is available for new construction projects at the University of Nebraska and the State Colleges. Although not a dedicated revenue source, some cigarette tax funds have been used for specific construction projects on University and State College campuses. Recently, however, these funds have been directed toward non-educational construction projects and toward the LB 309 Task Force, which funds deferred maintenance, life safety, ADA and energy conservation projects in state-owned facilities. Community College projects are funded primarily through property taxes (see policy #30).

Those construction projects requiring more than $225,000 in tax funds to construct or more than $55,000 in tax funds to operate and maintain annually must go to the Coordinating Commission for Postsecondary Education for approval. (See policy #29 for procedures for revenue bond facilities.) University of Nebraska and State College projects that are approved by the Commission go forward to the Legislature for funding authorization. Most Community College projects do not go to the Legislature for funding approval since they are funded by property tax. The Commission submits a prioritization list for those projects being considered for funding. The University and State Colleges also submit a prioritization list for their projects. The Legislature appropriates funds for the University and State Colleges' new construction projects on a case-by-case basis. The State does not use general obligation bonds for the sectors to pay for new construction.

24. Renewal/renovation and remodel funding is limited and competes with new construction.

Renewal and renovation have not been funded at a rate to avoid accumulation of deferred maintenance. The State does not use general obligation bonds to pay for renewal or renovation. Renovation/remodeling projects for the University and State Colleges are funded from the same appropriation source as new construction on a case-by-case basis. Major renovation/remodeling projects are required by DAS to include all

deferred maintenance work, fire and life safety, ADA, and economically feasible energy conservation requirements. Energy cost savings from University and State College utility expenditures are generally used only for energy conservation projects, fire and life safety projects, or the replacement of obsolete equipment.

The Legislature appropriates funds to the LB 309 Task Force which in turn allocates funds to state agencies for deferred maintenance, fire and life safety, ADA, and energy conservation on an individual project basis, based on greatest need. LB 309 allocations require the institutions to provide a negotiated percentage of matching funds from their operating budgets. [§ 81-173 et seq.] No dedicated revenue stream is available for renovation/remodeling, although a portion of the LB 309 appropriation is funded with cigarette taxes.

25. Student tuition and fees are increasingly being used to support renewal/renovation and remodeling funding.

Student tuition and fees are increasingly being used to fund renewal/renovation and remodeling projects for academic facilities. This is a change from the historical funding patterns of using state taxes and private dollars as the primary source of funding academic facility projects. LB1100, enacted in 1998, [§ 85-412] authorized $87.5 million in renewal/renovation projects for the University and State Colleges, with half the funding coming from student fees to match the other half from State appropriations. Both the University and State Colleges have increased tuition and fees to meet this matching fund requirement over a ten-year period.

26. The State has created a Building Renewal Assessment Fund to collect depreciation charges on all new capital construction additions and major renovation projects, including purchases or acquisitings of facilities.

LB1100 [§ 85-412] assesses depreciation fees on all newly constructed buildings, including additions, major renovations that exceed 15% of the

replacement cost of the facility, and purchases or acquistions of facilities.

The depreciation fees are to be placed in the University and State College Building Renewal Assessment Funds, respectively. The annual depreciation fee is equal to 2% of the replacement cost of the facility. The funds collected can only be used for improvement to those facilities that have been assessed a depreciation fee. This fee does not apply to revenue bond facilities that are self-supported by student fees.

27. All public postsecondary institutions must participate in development of a facilities database which is to include facilities utilization information.

The passage of LB1108 included a statement by the Legislature that the use of institutional comprehensive facilities plans and a statewide facility information base are critical to the State in ensuring efficient use of existing facilities and the most effective use of State funds appropriated for capital construction projects.

The Legislature has directed the University system, the State College system, and the Community Colleges to develop the database in cooperation with the Coordinating Commission, which will be the repository of the data and will utilize the data in its review and approval of capital construction projects.

28. On-going preventive maintenance of facilities is the responsibility of the institutions.

Institutions are responsible for funding preventive maintenance from their base operating fund appropriation, but the amount of funds expended is at the institution's discretion and is not earmarked by the Legislature.

29. Revenue bond facilities are generally self-funded and self-supported through the use of student fees.

University and State College revenue bonds authorized by the Legislature and secured through student fees may be used for narrowly defined construction projects that directly benefit the students. Revenue bond facilities are to be self-supporting with the exception that State operating funds may be used for utilities costs. [§ 85-403.01 et seq.] Institutions control which projects receive funding. The Commission reviews revenue bond projects and makes recommendations for approval or disapproval to the Legislature. Presently State funds are allocated for 50% of the University's student union utilities costs.

30. Community College construction projects are funded almost entirely by local property taxes.

Local property tax levies are used to fund most Community College new construction and renovation/remodeling projects. Institutions control which projects are funded and when the funding will occur. [§§ 85-1515; 85-1516; 85-1517]

LB1114 decreased the amount of funding Community Colleges have available for capital construction projects by the year 1999 to 1 cent per $100 property value. Community Colleges may issue long-term bonds funded by area property tax revenue with the approval of area voters or the Legislature. They may also issue revenue bonds for housing, student unions, and student health facilities, but these revenue bonds are payable solely out of the rates, fees or charges for the use of the facilities [§§85-1520; 85-1521; 85-1523].

CONCLUSION

The Commission's purpose in publishing this pamphlet and distributing it broadly throughout the state is to inform Nebraskans of general policies and practices in Nebraska higher education finance and to assist policy makers in reaching informed and knowledgeable decisions regarding how higher education is financed.

The Commission's intent is to revisit and update this publication frequently so that it accurately reflects the most current higher education financing policies of the State. The Commission welcomes your comments, suggestions and ideas regarding these important financing policy issues.

CITATIONS

A variety of resources were used to document information found within the narrative for each of the 30 policies identified. The following is a listing, by policy, of the sources of the data used within this report. Copies of the resources are available upon request from the Commission Office.

Policy #1: National Association of State Budget Officers (1997); Illinois State University - SHEEO Report, 1998

Policy #2: U.S. Department of Educations - NCES, IPEDS; Coordinating Commission for Postsecondary Education - 1997 Tuition, Fees and Financial Aid Report; Nebraska DAS Supplemental Forms

Policy #3: National Association of State Student Grant and Aid Programs - Annual Survey Report, 1996-97

Policy #4: Mortenson - NCES 1992 data; Nebraska Department of Education, Western Interstate Commission for Higher Education - WICHE High School Graduates: Projections by State, 1992 - 2009; Nebraska Department of Health - 1994 Vital Statistics

Policy #6: §§ 85-1536; 85-1503; 58-1540

Policy #7: § 85-1517, *Nebraska Constitution* - Article VIII, Sec. 1A

Policy #10: § 85-1540

Policy #11: §71-5653 et seq.; § 85-934

Policy #12: National Science Foundation (NSF), Census Bureau

Policy #13: Community College funding formula, §§ 85-1536; 85-1503; 77-4901 et seq.

Policy #15: §§85-1540; 85-1414

Policy #16: Nebraska Department of Education

Policy #17: §85-125, DAS Budget Instructions, Board of Regents v. Exon, 199 Neb. 146, 256 N.W.2d 330 (1977)

Policy #18: §§ 71-1,336.06; 85-180.13; 85-1301

Policy #20: §§85-1414; 85-1515; 85-1416; *Nebraska Constitution; Comprehensive Statewide Plan for Postsecondary Education*

Policy #22: §§85-1414(a) ; 85-1423

Policy #23: Nebraska Constitution, Article XIII, Sec. 1

Policy #24: §81-173 et seq., *Nebraska Constitution*, Article XIII, Sec. 1

Policy #25: §85-412 (1998 Nebraska Laws LB1100, §1)

Policy #26: §81-188.06 (1998 Nebraska Laws LB1100, §1)

Policy #28: §85-403.01 et seq.

Policy #29: §§85-1515; 85-1516; 85-1517

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